

MAINE WORKERS' COMPENSATION BOARD COMPLIANCE AUDIT REPORT

March 14, 2001

Sedgwick Claims Management
45 Mallett Drive
Freeport, ME 04032

Claims Covered by Audit: 1999 Dates of Injury

Companies Covered by Audit:

Third Party Administration

Sedgwick Claims Management Services, Inc.	TPA # S301
Sedgwick Claims Management Services, Inc.	TPA # S383
Sedgwick Claims Management Services, Inc.	TPA # S399

Examination by: Marlene Swift, Auditor

Reviewed and Approved by: Steven Minkowsky, D.D.B.A.

The results of the audit and the procedures followed have been explained to:

Name:	Title:	Date:
Rachel York	Vice President of Sedgwick Claims Management Services	Various
Brenda Dickey	Operations Manager	1-18-01
Jodie Conley	Workers' Compensation Claims Supervisor	Various

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SUMMARY

The Audit Division of the Maine Workers' Compensation Board examined a sample of 100 claim files for the period under examination (1999) to determine compliance with statutory and regulatory requirements in the following areas:

- Timeliness of indemnity payments
- Accuracy of indemnity payments
- Form filing

Of the 100 claim files audited, there were 27 "lost time" claims, 62 "medical only" claims, and 11 "incident only"¹ claims.

Our audit revealed:

- Sixty-one percent of the initial indemnity payments audited were found to be made timely.
 - Eighty-eight percent of the subsequent payments audited were made timely.
 - One payment was found to be in violation of §205(3).
 - Of the sample chosen, three average weekly wages were calculated incorrectly:
 - ◆ Earnings from the employee's week of hire and three post-injury pay periods were used when calculating the AWW for one claim. This resulted in a lower AWW and compensation rate, and an underpayment of benefits to that employee.
- Upon notification from this division, Sedgwick promptly made the appropriate corrections and paid the employee the balance due (\$4.82).
- ◆ Wages spanning more than 52 weeks prior to the injuries were used to calculate the other two incorrect average weekly wages. Both of these errors resulted in higher average weekly wages. One employee was overpaid (\$19.47), but the other was not because his rate was subject to the maximum benefit level cap.
 - Two employees' compensation rates were incorrectly charted from the benefit table. One error resulted in a small overpayment (55¢ per week). The other resulted in an underpayment (\$284.70) which was promptly paid upon notification from this division.
 - An error was identified in the method used to calculate partial benefits for one claim. The error occurred in a week where the employee received both total and partial benefits. The correct calculation method was explained to the adjuster after the on-site audit, but prior to the drafting of this report.

¹ "Incident only" claims incur no medical expenses and less than a day of lost time.

SUMMARY

- An error was identified in the implementation of a Hearing Officer's Provisional Order. The reduction of benefits provided by the Provisional Order had been prematurely applied (8 days). Upon notification from this division, the claimant was promptly paid the balance due (\$122.42).
- One employee was overpaid because the adjuster was not promptly notified of his return to work.
- Form filing compliance ranged from 67% to 100%. The WCB-11, Statement of Compensation Paid form was found to have the lowest compliance rate.

It is important to note that two Sedgwick claims files contained WCB-11 forms that were never received by the Board. Had those forms been received by the Board, WCB-11 compliance would have increased from 67% to 83%.

All missing forms identified as a result of the audit examination were promptly filed.

- Of the twelve indemnity claims audited, it was noted that two of the initial payment dates were incorrectly reported in Box 24 of the WCB-3, Memorandum of Payment form. Box 24 should accurately reflect the date that the initial indemnity payment is sent to the employee.

PENALTIES

A. Section 205(3), M.R.S.A. Penalties (payable to injured employees)

“When there is not an ongoing dispute, if weekly compensation benefits or accrued weekly benefits are not paid within 30 days after becoming due and payable, \$50 per day must be added and paid to the worker for each day over 30 days in which the benefits are not paid. Not more than \$1,500 in total may be added pursuant to this subsection. For purposes of ratemaking, daily charges paid under this subsection do not constitute elements of loss.”

Penalties pursuant to 39-A M.R.S.A. Sec. 205(3) are paid directly to the injured employee. The penalty below is being sought. If you disagree, you have the right to a hearing before the Abuse Investigation Unit. Please provide proof of payment for all undisputed penalties.

CLAIM	PENALTY JUSTIFICATION	PENALTY AMOUNT
James Murphy vs. University of Maine Date of Injury: 9-21-99 Sedgwick's File # 9917013504 WCB File #99-17874	The second indemnity payment (4-3-00) was made 45 days after the first indemnity payment (2-17-00).	\$ 400.00
Total Penalties to Injured Employees		\$400.00

PENALTIES

B. Penalties Allowed by Law (payable to the Workers' Compensation Board)

◆ 39-A M.R.S.A. Sec. 359(2)

"In addition to any other penalty assessment permitted under this Act, the board may assess civil penalties not to exceed \$10,000 upon finding, after hearing, that an employer, insurer or 3rd-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims. The board shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt. This certification by the board is exempt from the provisions of the Maine Administrative Procedure Act."

◆ 39-A M.R.S.A. Sec. 360(1)(A)

"The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete any report or form required by this Act or rules adopted under this Act;"

None were identified.

◆ 39-A M.R.S.A. Sec. 360(1)(B)

"The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete such a report or form within the time limits specified in this Act or rules adopted under this Act."

Five (5) forms were filed late (\$500.00).

This number reflects only those forms submitted subsequent to the audit and in response to a request by the Audit Division. It does not include any forms that were filed late prior to audit.

◆ 39-A M.R.S.A. Sec. 360(2)

"The board may assess, after hearing, a civil penalty in an amount not to exceed \$1,000 for an individual and \$10,000 for a corporation, partnership or other legal entity for any willful violation of this Act, fraud or intentional misrepresentation. The board may also require that person to repay any compensation received through a violation of this act, fraud or intentional misrepresentation or to pay any compensation withheld through a violation of this Act, fraud or misrepresentation, with interest at the rate of 10% per year.

INDEMNITY BENEFITS

A. Prompt Initial Payment of Benefits

			1999	
			Number	Percent
Check Mailed Within:				
0-14	Days	Compliant	11	61%
15-28	Days		5	28%
29+	Days		2	11%
Total Due			18	100%
NOC Filed Timely			2	

B. Prompt Subsequent Payment of Benefits

			1999	
			Number	Percent
Check Mailed Within:				
0-7	Days	Compliant	134	88%
8-14	Days		16	10%
15+	Days		3	2%
Total Due			153	100%

C. Accuracy of Average Weekly Wage

			1999	
			Number	Percent
Calculated:				
Correct		Compliant	9	75%
Incorrect			3	25%
Total			12	100%

D. Accuracy of Weekly Benefit Rate

			1999	
			Number	Percent
Calculated:				
Correct		Compliant	8	67%
Incorrect			4	33%
Total			12	100%

FORM FILING

A. First Report (WCB-1)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	32	100%
Total		32	100%

B. Wage Statement (WCB-2)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	12	100%
Total		12	100%

C. Schedule of Dependent(s) and Filing Status Statement (WCB-2A)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	11	92%
Not Filed		1	8%
Total		12	100%

D. Memorandum of Payment (WCB-3)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	12	100%
Total		12	100%

FORM FILING (Continued)

E. Discontinuance or Modification (WCB-4)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	11	100%
Total		11	100%

F. Certificate of Discontinuance or Reduction of Compensation (WCB-8)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	1	100%
Total		1	100%

G. Notice of Controversy (WCB-9)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	8	100%
Total		8	100%
Medical Only NOC		5	

H. Statement of Compensation Paid (WCB-11)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	8	67%
Not Filed		4	33%
Total		12	100%